College Park Collaborative, LLC

Independent Auditor’s Report, Financial Statements, and Supplementary Information

December 31, 2022 and 2021

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Independent Auditor's Report

To the Member
College Park Collaborative, LLC
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of College Park Collaborative, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of College Park Collaborative, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of College Park Collaborative, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about College Park Collaborative, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of College Park Collaborative, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about College Park Collaborative, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Income and Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

FORVIS, LLP

High Point, NC
August 03, 2023

College Park Collaborative, LLC
Balance Sheets
December 31, 2022 and 2021 **(2 pages)**

	2022	2021
ASSETS		
Current assets:		
Cash, operating	**$ 2,610**	$ 1,006
Prepaid expenses	**922**	1,413
Utility deposits	**3,733**	3,733
Accrued interest receivable, affiliate	**-**	8,210
Total current assets	**7,265**	14,362
Rental property:		
Land	**186,952**	2,013,883
Other assets:		
Note receivable, affiliate	**-**	969,840
	$ 194,217	$ 2,998,085

College Park Collaborative, LLC
Balance Sheets
December 31, 2022 and 2021 **(2 pages)**

	2022	2021
LIABILITIES LESS MEMBER'S EQUITY (DEFICIT)		
Current liabilities:		
Current maturities of mortgages payable	$ -	$ 301,534
Accrued property management fees	200	200
Accounts payable, construction	-	442,646
Accounts payable, affiliate	13,797	1,102,531
Accrued interest	-	7,087
Notes payable, affiliate	-	537,040
Total current liabilities	13,997	2,391,038
Deposits and prepayment liabilities:		
Tenant security deposits	-	20
Long-term liability:		
Mortgages payable, net of unamortized debt issuance costs of $4,525 in 2021	-	1,914,699
Member's equity (deficit)	180,220	(1,307,672)
	$ 194,217	$ 2,998,085

College Park Collaborative, LLC
Statements of Operations
Years Ended December 31, 2022 and 2021

	2022	2021
Revenue:		
Rental income	$ -	$ 6,648
Other income	741	3,646
Financial income	29,532	8,210
Total income	30,273	18,504
Expenses:		
Administrative	12,572	14,123
Utilities	233	7,223
Professional fees	5,748	3,210
Management fees	2,400	2,400
Repairs and maintenance	-	1,847
Taxes and insurance	510	1,003
Total operating expenses	21,463	29,806
Income (loss) from operations	8,810	(11,302)
Nonoperating (income) expenses:		
Interest expense	135,561	67,042
Gain on sale of land	(1,614,643)	-
Total nonoperating (income) expenses	(1,479,082)	67,042
Net income (loss)	$ 1,487,892	$ (78,344)

College Park Collaborative, LLC
Statements of Member's Equity (Deficit)
Years Ended December 31, 2022 and 2021

Member's deficit, December 31, 2020	$	(2,174,276)
Net loss		(78,344)
Contributions		944,948
Member's deficit, December 31, 2021		(1,307,672)
Net income		1,487,892
Member's equity, December 31, 2022	$	180,220

College Park Collaborative, LLC
Statements of Cash Flows
Years Ended December 31, 2022 and 2021 **(2 pages)**

		2022		2021
Cash flows from operating activities:				
Net income (loss)	$	1,487,892	$	(78,344)
Adjustments to reconcile net loss to net cash used by operating activities:				
Gain on sale of land		(1,614,643)		-
Amortization of debt issuance costs		4,525		1,468
Change in assets and liabilities:				
Accounts receivable, tenants		-		608
Prepaid expenses		491		60
Accrued interest receivable, affiliate		8,210		(8,210)
Accounts payable and accrued expenses		-		(3,069)
Accrued interest		(7,087)		(424)
Tenant security deposits		(20)		(1,073)
Prepaid rent		-		(20)
Net cash used by operating activities		(120,632)		(89,004)
Cash flows from investing activities:				
Investment in land		(2,867,160)		(371,255)
Proceeds from sale of land		5,220,000		110,160
Net cash provided (used) by investing activities		2,352,840		(261,095)
Cash flows from financing activities:				
Principal payments on mortgages payable		(3,328,031)		(108,000)
Receipts of note receivable, affiliate		969,840		-
Payments on note payable affiliate, net		(537,040)		-
Proceeds from mortgages payable		664,627		451,422
Net cash provided (used) by financing activities		(2,230,604)		343,422
Net increase (decrease) in cash and restricted deposits and funded reserves		1,604		(6,677)
Cash and restricted deposits and funded reserves, beginning of year		1,006		7,683
Cash and restricted deposits and funded reserves, end of year	$	2,610	$	1,006

	2022	2021
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 142,648**	$ 65,998
Supplemental disclosures of noncash investing and financing activities:		
Land additions, included in accounts payable, affiliate	**$ 13,797**	$ 224,317
Land additions, included in accounts payable, construction	**-**	442,646
	$ 13,797	$ 666,963

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies

Nature of operations

College Park Collaborative, LLC (the “Company”) was formed as a limited liability company under the laws of the State of North Carolina on January 15, 2014 for the purpose of acquiring, owning, leasing, and operating a 245-unit apartment complex for rent to persons of low income located in Raleigh, North Carolina commonly known as “Washington Terrace Apartments,” on an interim basis, and to prepare and oversee the implementation of a redevelopment plan that will involve replacing the existing apartments with new housing. The major activities of the Company are governed by the operating agreement and the loan agreements. The Company purchased the existing apartment complex on January 28, 2014 from Blue Valley Apartments, Inc.

After a year-long process, the master plan for the redevelopment of Washington Terrace was vetted to the public in December 2015 and received an enthusiastic nod of approval from Washington Terrace residents and the community at-large. The initial phase, named The Village at Washington Terrace, includes 162 apartment homes for families, a new community center with a children’s play area and recreation space, a community garden, and a child care center. This phase will be funded in part through 4% tax credits and bond volume cap awarded in January 2016. The second phase, Booker Park North, includes 72 apartment homes for seniors and to support financing of this phase, the entity applied for and was awarded 9% tax credit equity in 2016. Later phases may include a mix of rental and homeownership opportunities.

During 2017, land on the northern section of the property was sold to The Village at Washington Terrace and Booker Park North, and the 98 existing units on such property were demolished.

In 2018, the construction on the first phase, The Village at Washington Terrace, was completed. The second phase, Booker Park North, was completed in May 2019.

During 2019, several residents of Washington Terrace Apartments were moved to The Village at Washington Terrace or Booker Park North, along with new residents. As leases expired and residents were moved to these new phases, units were taken offline and were not being rented to new residents. Following the relocation of the last tenants remaining at Washington Terrace Apartments in June 2019, the remaining 32 buildings of Washington Terrace Apartments were abated for asbestos and then demolished, with all landfill material hauled offsite. Following abatement and demolition, rough site grading was performed. As of December 31, 2020, there are two homes on Oakwood Avenue adjacent to the former Washington Terrace Apartments which were purchased in 2016, that remain to be owned and rented to residents by the Company.

In 2021, the leases ended for the two homes located on Oakwood Avenue. As a part of the site work required for the subdivision of the remaining site the two homes were demolished. In September 2021 a portion of the property was sold to Booker Park South. Beginning in the latter half of 2021 site work commenced on the portion of property that will be brought to agreed upon condition and then sold to Stanly Martin homes. This work and sale of the land were completed in 2022.

The following is a summary of significant accounting policies consistently applied in the preparation of these financial statements.

Basis of accounting

The financial statements of the Company are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles.

Income taxes

As a limited liability company, the Company's taxable income or loss is allocated to the member in accordance with the operating agreement and is reflected in its income taxes; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Capitalization and depreciation

Land and buildings are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of operations. During 2015, in accordance with management's plans regarding disposal of the depreciable property in future periods, the estimated useful lives of the fixed assets were updated. The estimated lives used in determining depreciation are as follows:

Land improvements	5 to 6 years
Buildings and improvements	1 to 6 years
Furniture and equipment	5 to 6 years

Rental income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Company and the tenants of the property are operating leases.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impairment of long-lived assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. No impairment losses were recognized during 2022 and 2021.

Accounts receivable and bad debts

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Note receivable, affiliate

The note receivable was stated at the principal amount and was unsecured. Management reviews the note receivable and establishes an allowance for loan losses, when necessary. No allowance was deemed necessary at December 31, 2021. During 2022, the note receivable was repaid.

Concentrations of credit risk

The Company maintains its cash in financial institutions insured by Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Debt issuance costs

Loan costs were amortized to interest expense over the life of the related loan.

Subsequent events evaluation

The Company evaluated the effect subsequent events would have on the financial statements through August 03, 2023, which is the date the financial statements were available to be issued.

2. Member's Capital Contributions

The Company's sole member is Community Revitalization and Preservation Corporation, a North Carolina nonprofit corporation. No capital contributions are required by the member. During 2017, capital contributions of $2,964,636 were made related to the sale of land to related parties. During 2021, capital contributions of $944,948 were made related to the sale of land to related parties (see Note 4).

3. Mortgages Payable

An analysis of the mortgages payable at December 31, 2022 and 2021 is as follows:

	2022	2021
Note payable to North State Bank, in the amount of $2,700,000. The note bore interest in the amount of 5.5% per annum. Effective November 23, 2020, the interest rate on the note was modified to a variable rate equal to the Wall Street Journal Prime rate, plus 1.00%. Effective December 29, 2021, the note was again modified to establish a fixed interest rate of 4.25%, and to extend the maturity date to January 23, 2025. The loan is secured by a first deed of trust in the property. Interest only payments are due monthly, commencing on February 23, 2019. The entire unpaid principal balance of the note, along with all accrued interest, shall be due and payable on January 23, 2025. The note was repaid during 2022. During the years ended December 31, 2022 and 2021, interest incurred under the note amounted to $135,561 and $65,574, respectively. Accrued interest amounted to $0 and $7,087, respectively as of December 31, 2022 and 2021. Interest paid during 2022 and 2021 amounted to $142,648 and $65,998, respectively.	$ -	$ 1,919,224
Note payable to the City of Raleigh in the amount of $2,100,000. No interest shall accrue on the note. The loan is secured by a second Deed of Trust in the property. The note has been guaranteed by DHIC, Inc., an affiliate of the member. Payments on the note shall be deferred for 60 months, with the full balance of the note due on January 28, 2019. In 2019, the loan agreement was amended to extend the maturity date to January 28, 2022. In 2021, the loan agreement was modified to extend the maturity date to December 31, 2022. The note was repaid during 2022.	-	301,534
	-	2,220,758
Less: unamortized debt issuance costs	-	(4,525)
	$ -	$ 2,216,233

4. Transactions with Affiliates and Related Parties

Notes payable, affiliate

The Company entered into a demand note with DHIC, Inc., a North Carolina nonprofit corporation ("DHIC"), an affiliate of the member, in the amount of $101,000 on January 20, 2014. The demand note shall be due and payable within 10 days after receipt of written notice from DHIC. The note does not bear interest. As of December 31, 2022 and 2021, $0 and $101,000, remained payable under the note, respectively.

The Company entered into a second demand note with DHIC, Inc. in the amount of $376,040 on March 16, 2016. The demand note shall be due and payable within 10 days after receipt of written notice from DHIC. The note does not bear interest. As of December 31, 2022 and 2021, $0 and $376,040 remained payable under the note, respectively.

The Company entered into a third demand note with DHIC, Inc. in the amount of $50,000 on August 31, 2017. The demand note shall be due and payable within 10 days after receipt of written notice from DHIC. The note does not bear interest. Effective September 15, 2021, the note was amended to increase the principal balance on the note to $60,000. Effective January 31, 2022, the note was amended to increase the principal balance on the note to $65,000. All other terms remained the same. As of December 31, 2022 and 2021, $0 and $60,000 remained payable under the note, respectively.

Management services fee

Pursuant to a management services agreement, the Company is required to pay the member an annual management services fee equal to 100% of the net income available for distribution by the Company at the end of its fiscal year, as defined in the agreement, and as determined by the member in its sole discretion. The fee shall be paid to the member not more than 90 days following the close of each fiscal year. The Company may make interim disbursements to the member during any fiscal year if it determines that net income is available to be distributed for services rendered under the agreement. During the years ended December 31, 2022 and 2021, no management services fees were incurred or paid.

Accounts payable, affiliate

As of December 31, 2022 and 2021, accounts payable, affiliate consisted of $13,797 and $1,102,531, respectively, in advances from DHIC for costs related to asbestos abatement, demolition, and general land grading costs (see Note 1), in addition to certain operating costs.

Sale of land to related party

As part of the ongoing redevelopment of the Washington Terrace neighborhood, the Company sold approximately 1.84 acres of land during 2021 to a related party who is commonly controlled by DHIC. Pursuant to a Purchase and Sale of Real Property agreement, the Company sold the land to Booker Park South, LLC on September 20, 2021, for a total sales price of $1,080,000. The related net book value of the land sold amounted to $135,052, resulting in a difference between the purchase prices and net book value of $944,948. Costs incurred by the Company related to the sale amounted to $2,160.

The Company and Booker Park South, LLC (the "entities") are commonly controlled by DHIC, Inc., whose subsidiaries are the managing members of each respective entity. As the entities are commonly controlled, no profit or loss should be recognized by the buyers or the seller in this related party transaction. The difference between the net book value of the land sold and the cumulative purchase price is instead viewed as a transfer of equity between affiliates. Accordingly, equity contributions totaling $944,948 have been recognized by the Company for the year ended December 31, 2021.

Notes receivable, affiliate

As part of the sale of land to Booker Park South, LLC, the Company held a note receivable from Booker Park South, LLC dated September 20, 2021 in the total principal amount of $969,840. The note was unsecured, and bore interest at a rate of 3.00%. All accrued interest and principal remaining on the note as of December 31, 2042 shall be due and payable in full on such date. As of December 31, 2022 and 2021, $0 and $969,840 of principal remained receivable under the note. Accrued interest receivable amounted to $0 and $8,210 as of December 31, 2022 and 2021, respectively.

5. Commitments and Contingencies

Construction contract

The Company entered into a construction contract in July 2021 with Weaver Cooke Construction, LLC, for services related to land improvements for future sale of the project land (see Note 1). As of December 31, 2022 and 2021, $2,491,313 and $884,068, respectively, has been incurred under the contract. As of December 31, 2022 and 2021, $0 and $442,646 remained payable, respectively, under the contract, including retainage payable of $87,431 at December 31, 2021.

6. Property Held for Resale

As a result of the members' desire to sell a portion of the land at the project, the Company entered into a purchase and sale agreement dated December 16, 2020. In accordance with the purchase and sale agreement, the Company shall sell the land, which shall be used for the future development of 58 townhomes, to the buyer for a total purchase of $5,220,000. In accordance with the agreement, the Company must make certain improvements to the future townhome lots before the execution of the sale, including rough grading, surveying and staking of all lots, connection of utilities, and completion of certain land improvements. Management estimates the remaining costs to prepare the lots for sale to be approximately $500,000. The estimated fair value of the assets based on the agreed upon purchase price, less anticipated costs to sell, is in excess of the carrying value of the property. As such, no adjustment to carrying value of the property was made. Upon execution of the agreement, the buyer deposited $500,000 in earnest money with the title agent. The earnest money was fully refundable through the feasibility period, which expired on February 14, 2021. Following the feasibility period, the earnest money deposit is nonrefundable to the buyer, except for failure of a condition to closing, or seller default, as defined in the agreement. During 2021, a contract was entered into with Weaver Cooke Construction, LLC (see Note 5) to perform general contractor duties for the required site improvements. Site improvements commenced on July 8, 2021. The sale closed in 2022.

7. Contingencies, Risks and Uncertainties

The Company's sole asset is its real estate property located in Raleigh, North Carolina. Changes in the real estate market in this area could significantly impact the valuation of the Company's real estate property.

Supplementary Information

College Park Collaborative, LLC
Schedules of Income and Expenses
Years Ended December 31, 2022 and 2021 **(2 pages)**

	2022	2021
Rental income:		
Gross tenant rent potential	$ -	$ 14,985
Less: Vacancies	-	(8,337)
	$ -	$ 6,648
Other income:		
Miscellaneous	$ 741	$ 3,646
Financial income:		
Interest income	$ 29,532	$ 8,210
Administrative:		
Seminars/meetings	$ -	$ 100
Office expense	-	18
Salaries expense	-	955
Office supplies	-	87
Payroll taxes	-	81
Employee benefits	-	395
Bad debt (recoveries), net	(45)	2,681
Miscellaneous	12,617	9,806
	$ 12,572	$ 14,123
Utilities:		
Electricity	$ 233	$ 229
Water and sewer	-	6,994
	$ 233	$ 7,223

College Park Collaborative, LLC
Schedules of Income and Expenses
Years Ended December 31, 2022 and 2021 **(2 pages)**

	2022	2021
Professional fees:		
Audit and accounting	$ 5,748	$ 3,210
	$ 5,748	$ 3,210
Management fees:		
Property management	$ 2,400	$ 2,400
Repairs and maintenance:		
Repairs and maintenance payroll	$ -	$ 17
Grounds maintenance	-	1,680
Repairs supplies	-	35
Garbage and trash	-	115
	$ -	$ 1,847
Taxes and insurance:		
Property and liability insurance	510	935
Other insurance	-	68
	$ 510	$ 1,003
Interest expense:		
Interest expense - North State	$ 131,036	$ 65,574
Amortization of debt issuance costs	4,525	1,468
	$ 135,561	$ 67,042